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The journal publishing services agreement: A guide for societies

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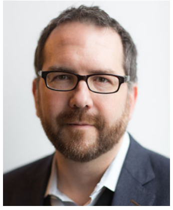

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Key points

- Scholarly publishing is unusual because of the substantial involvement of non-profit organizations and the way in which they work with commercial publishers.
- Publishing services agreements (PSAs) may provide predictable revenues, access to transformative agreements, and wider distribution.
- The largest disadvantage of PSAs is publisher lock-in, where revenues derived from publisher packages are not portable.
- Deciding to enter a publisher services agreement should not be taken lightly and must be carefully aligned with the society's value and strategy.

Societies have two fundamental choices when it comes to publishing their journals: they can remain independent, managing all facets of the publication business, or they can work with a larger commercial or not-for-profit publisher. If a society chooses to work with a larger publisher, it will invariably do so via a publishing services agreement. This article discusses the challenges and complexities facing independent society publishers and the reasons why some societies choose to enter into publisher services agreements, whereas others choose to remain independent.

INTRODUCTION

An increasing number of independently published societies are entering into publishing services agreements (PSAs) with large commercial publishers or university presses related to scholarly and professional journals. (While many societies also enter into PSAs related to books, book PSAs are fundamentally different contracts and are not considered in this article.) Others are considering doing so after decades of independent publication. The specific reasons for doing so vary by society, but the most frequent reasons I have heard cited by society executives are financial concerns, risk management, increased distribution, and navigating the growing technological and market complexity of scholarly and professional publishing (this echoes findings from Bull & Hazlet, 2000).

In this article, the term 'independently published' and 'self-published' are synonymous and refer to societies that are the publishers of their own journals. The term 'commercially published' or 'commercial publisher' here includes not only the large for-profit publishers (e.g. Elsevier, Wiley, Springer Nature, Wolters Kluwer, Taylor & Francis, SAGE, and so on) but also large not-for-profit publishers that are *acting commercially* in offering publishing services to societies. These include university presses (especially those of Cambridge and Oxford) along with the largest society publishers that also publish on behalf of smaller societies, such as AIP Publishing, the American Chemical Society, IOP Publishing, IEEE, BMJ, and the American Psychological Association.

THE PUBLISHING SERVICES AGREEMENT

It is an unusual aspect of scholarly publishing, compared with other media sectors, that so many journals are owned by not-for-profit organizations, principally learned societies and professional associations. This circumstance has led to the emergence of the PSA – sometimes also called a *commercial licence agreement* – whereby societies, instead of selling their journals, licence the exclusive publication rights to a publisher for a limited period of time, usually 5–10 years.

In exchange for this exclusive publication right, the society receives a royalty from the publisher. While the structure of such agreements can vary widely, they typically describe roles and responsibilities, the scope of services provided, intellectual property rights, and financial terms.

ROLES AND RESPONSIBILITIES UNDER A PSA

A full-services publishing relationship is substantively different from the act of independent publishing. While independent publishers rely, to a greater or lesser extent, on a variety of vendors (e.g. for printing, composition, warehousing, copyediting, online hosting, manuscript submission technology, institutional sales, advertising sales, reprint sales, and so on), such activities are typically undertaken at the direction of the society and primarily on a fee-for-service model (sales activities excepted, which are usually offered under a commission model or a combination of fee-for-service and commission). Independently published societies are therefore in a role analogous to a general contractor who is ultimately responsible for his or her business operations and the work of his or her vendors and subcontractors. The society collects all revenues and pays its vendors either directly or via commissions. Whatever is left over after the society has paid all its vendors, agents, staff, and editors, after accounting for expenses and overhead, is its net revenue or operating surplus.

In a full-service publishing relationship, in contrast, the commercial publisher is responsible for all business operations for the society's journals (see Table 1). The publisher is responsible for contracting with any vendors (or doing the work in-house themselves). Furthermore, the publisher will collect all revenues from all sources except member subscriptions (institutional sales, advertising, reprints, permissions, submission fees) and will divvy them up with the society according to the terms of the contract.

In a full-service publishing arrangement, although the society outsources management of business operations related to its publications, it maintains full ownership of the journal and its contents, as well as full editorial control. The roles and responsibilities of the society working under a PSA are generally related to editorial matters, as well as marketing to, and subscription management for, members (see Table 2).

A general rule for societies working with a commercial publisher is that the role of the publisher begins after a manuscript is accepted (final accept). Publishers are not generally involved with editorial decision-making of society journals. (For a full list of all of things a publisher does, see Anderson, 2018).

TABLE 1 Full-service publisher primary roles and responsibilities.

Subscription pricing (usually with society approval)	Printing
Institutional sales and marketing	Distribution
Reprint sales	Warehousing
Advertising sales	Subscription fulfilment
Permissions	Online hosting
Copyediting	Deposit of DOIs
Composition	Archiving (e.g. LOCKSS/Portico)
Customer service (non-member)	Development of business intelligence reports
Provision of peer review system (negotiable)	

TABLE 2 Society primary roles and responsibilities in publishing services agreements.

Appointment and oversight of editors and associate editors	Staffing of publishing director, managing editors, and editorial support staff
Appointment of editorial boards	Management of member subscription database
Journal scope and policies	Author marketing (publisher does some too)
Peer review policy and practices	Member marketing
Peer review management	Oversight of the publisher
Editorial strategy and decision-making	

FINANCIAL TERMS

Financial terms generally fall into four major categories: guaranteed revenues, contingent revenues, chargebacks, and in-kind support.

Guaranteed revenues are just that: revenues that a society will be paid regardless of the actual financial performance of the journal. Guaranteed revenues typically fall into three categories. The first is the signing bonus, usually paid upon execution of the agreement. The second is a minimum guaranteed royalty payment, usually paid in advance at the beginning of each year of the contract. The third includes monies for editorial support. This might include honoraria for editors-in-chief, rent for an editorial office, travel funds for editors to attend scientific or scholarly meetings, support for editorial board meeting costs, and other editorial expenses.

Contingent revenues are those monies that a society will be paid only in the event that certain financial thresholds are met. The most common form of contingent revenue is the royalty payment. The publisher will typically estimate the financial performance of the journal over the contract term. The PSA will then specify a percentage of gross revenues (less member fees and commissions) that will be paid to the society, assuming the journal earns enough to exceed the guaranteed minimum royalty payment. This is called 'earning out' the royalty. If the journal does not earn enough to trigger a contingence royalty payment, the society will nonetheless still keep any guaranteed royalty payments.

Chargebacks are payments from the society to the publisher. Chargebacks are typically used to pay the cost of member subscriptions. As societies, and not publishers, collect the revenues associated with member dues and subscriptions, a chargeback is common to cover the cost of printing and shipping print copies. That said, chargebacks can also apply to electronic access on the publisher's website.

In-kind support refers to instances where a publisher provides a society with technologies or services that the society might otherwise pay for. The most common example is the provisioning of a manuscript submission and review system at no charge to the society.

There are, of course, variations on the above. As print editions are becoming less common, many agreements no longer include chargebacks. Some agreements do not include guaranteed payments and just pay a contingent royalty (this is usually called the 'revenue share model' or, less commonly, 'the commission model'). Other agreements include what some publishers call 'guaranteed' payments that are not at all guarantees; they are instead non-refundable advances based on estimates that the publisher makes at the *beginning of each year* of the contract term (this is very different from stating guaranteed payments in the agreement itself, covering the whole term of the agreement).

PROS AND CONS OF PSAs

Societies enter into PSAs for a variety of reasons (Ashman, 2009). Those societies contemplating such an agreement must weigh the potential benefits a PSA might bring against its possible pitfalls (Ware, 2008). Some of the pros and cons of working with large commercial publishers are as follows:

Pros

- *Predictable and guaranteed revenues*. The reason that many societies cite for entering into PSAs is to receive guaranteed revenues. (Not all PSAs include a provision of guaranteed revenues, but it is a common provision and one that is appealing to those societies fortunate to receive them.) Receiving a guaranteed and predictable revenue stream is appealing for many societies, and having a PSA can be tool for risk mitigation; if the market changes, the society will still receive its guaranteed minimum royalty and other guaranteed revenues. Other societies are less concerned with market risk and more about market fluctuations. For example, for societies that have substantial journal advertising revenues (for some clinical medical journals, advertising revenues can match or exceed subscription revenues), those revenues can significantly fluctuate from year to year. For a society that is using any surplus from publishing revenues to fund other society activities, significantly fluctuating revenues can present financial and management challenges. A PSA is therefore used in some instances to smooth out revenue flows from year to year.
- *Access to big deals and transformative agreements*. An ever-increasing proportion of library budgets are tied up by the journal packages (e.g. Big Deals) of the largest publishers. Independent publishers are being slowly squeezed out as libraries cancel a la carte subscriptions in order to maintain Big Deals. As national consortia also push towards read-and-publish deals, independent societies are finding that they do not have a seat at the table unless they work through one of the larger publishers.
- *Increased revenues*. In addition to the matter of revenue guarantees, some societies receive more net revenues via a publishing services relationship than they would as independent publishers. Large publishers can often find economies of scale to reduce costs and at the same time extend distribution, resulting in an increase in gross revenues associated with the society's portfolio. Of course, the society must split revenues with the publisher, so the question is whether, even after this split, the society is better off under the PSA; often, it is.
- *Wider distribution*. The large commercial publishers and the two largest university presses have much broader global footprints than independent societies. A large publisher might sell content packages to over 7,000 institutional customers. In addition, the large publishers typically have stronger penetration in hospital and corporate markets that are highly relevant to societies working in applied science or clinical medicine. Along with the increased revenue that can come with greater market penetration is the benefit of broad, international access to the science published in the society journal.
- *More effectively responding to growing market complexity*. Publishing is becoming more complex every year. The technical requirements of publishing are increasingly sophisticated with a growing array of industry standards, third-party integrations, analytics, and other requirements. In addition, the diversity of publishing mandates and requirements necessitates ever more complex management tools and systems and the maintenance of multiple business models.

Cons

- *Publisher lock-in*. The most acute reason for caution when contemplating entering a PSA is publisher lock-in. Lock-in can occur when most of the revenues associated with a journal are not *portable*, meaning they are from sources owned and controlled by the publisher (Clarke, 2018). For example, any journal revenues that derive from royalties from publisher packages is not portable because the publisher owns the package and will not lower the price of the package should the society's journal leave to go to another publisher. No revenues from such package sales would follow the journal should the society decide to move to another publisher (or to move back to self-publishing) in the future. Because more and more journal revenues are associated with publisher packages as opposed to direct journal subscriptions, more societies are experiencing publisher lock-in. Other publishers cannot derive the same revenue from the journal as the incumbent publisher (because they cannot transfer a large portion of existing revenues), and hence, the society can only leave the incumbent

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publisher if it is willing to accept less revenues for its journal titles.

- *Potential for erosion of society asset values*. Erosion of society asset values is the result of publisher lock-in. Journals are valuable society assets, whose value has been built, in many cases, over decades or even centuries. While it is entirely possible that a PSA will build lasting asset value, it is also the case that the Big Deal has resulted in the transfer of asset value from society journals to commercial publishers.
- *Decreased revenues*, *in some cases*. In some cases, a society will stand to make *less* net revenue via a PSA as opposed to remaining independent. This is because societies must split gross revenues with the publisher. It is possible that, even if *gross revenues* to the society's journal or journal portfolio are higher via a PSA compared with self-publishing, the society might receive less *net revenue* from such an arrangement. This is most often true if the society has some combination of strong advertising revenues, strong institutional market penetration, and competitive pricing. In such circumstances, there is not much a commercial publisher can do to increase gross revenues, and the publisher must take a cut of the revenues received.
- *Any guarantees are only offered for the contract term*. Guaranteed revenues are only guaranteed for the term of the contract (and sometime not even that as, given market uncertainty, some publishers have begun to limit guarantees to only the first 5 years of a contract term even in cases when the term is longer than 5 years). If a society signs a PSA in order to reduce risk or receive revenue guarantees, such guarantees will not automatically continue in the next contract. At contract renewal, the value of a society's journals will be repriced to market conditions. If a society's journals have lost direct subscription sales or if advertising revenues have declined or if the impact factors for the journals have declined, this information will be considered in the next PSA. A society might solicit bids from other publishers, but these too will be based on current market realities. It is not uncommon for societies whose journals have not performed well to receive financial offers lower than the terms of their incumbent PSA.
- *Loss of flexibility*. This is especially true with regard to publishing policies around open access and intellectual property. For example, publishers are not practically able to accommodate different pricing and different copyright licence policies in negotiating a transformative agreement. Publishers also may have a limited capability to customize society journal websites and may have a preference (or requirement) for a specific manuscript submission system. Self-published societies have much more flexibility on these and other matters.

This is not a comprehensive list of issues – only the most frequently cited ones I have heard. In addition, new issues, such as participation in editorial cascades that encompass a broad set of journals in the publisher's portfolio, are beginning to emerge as topics of consideration, which is to say that the list of issues to think about not only varies by society but changes over time.

HOW SHOULD A SOCIETY DECIDE WHAT OPTION IS RIGHT FOR THEM?

There is no formula for deciding whether to remain independent or to work with a larger publisher. The decision-making process will be different for every society – and will likely be different at different points in time as the society's publishing programme, and the market in which it operates, evolves (Esposito, 2013). There are two processes that many societies use in order to assess strategic options and determine whether remaining independent or exploring a PSA is the right course of action. The first is the programme assessment; the second is the publishing services request for proposal (RFP).

The programme assessment

The programme assessment is the process through which a society carefully defines the strategic issues facing its publishing portfolio. The assessment is grounded in the financials of the programme but looks to situate the programme in the market in which it operates. While societies and associations are not-for-profit entities, their journals operate in a commercial context and in a market with both not-for-profit and commercial competitors. The programme assessment also seeks to frame the publishing activities of the society within the context of the society's broader mission and strategy. It can be thought of as a periodic fitness exam, used both to determine the current state of the programme and to flag areas of concern that the society might need to prepare for. A programme assessment provides a mechanism to evaluate what a society's publishing programme might look like under a PSA and what the financial, editorial, and operational implications of such a transition might entail.

The publishing services RFP

The publishing services RFP, also referred to as a *publishing services tender*, is the standard process through which societies solicit, evaluate, and compare proposals from publishers (Page, 2000). From start to finish, the RFP process typically requires 9–12 months (not including the transition time after a contract signed). It begins by assembling and analysing a great deal of information about the society's publishing programme (this is made much easier if the society has first conducted a programme assessment as such materials will be ready at hand). It requires crafting a document that clearly and concisely describes the society's portfolio, operations, finances, and strategic goals for a PSA. Societies will then read and analyse publisher proposals, which are themselves substantial documents. The RFP process typically includes finalist presentations and discussion, a process usually conducted in person. Finally, if the society determines it wishes to move forward with an agreement, it will select a winner and begin contract negotiation.

The publishing services RFP is an intensive process, not to be undertaken lightly. Through this process, however, societies

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typically learn a great deal both about publishers themselves, as well as how each publisher thinks about and values the society's portfolio and the opportunities for the society's programme in the marketplace.

There is another side to this, however, that works against the interests of societies, and that is the asymmetry of information between societies and large commercial enterprises. This asymmetry arises because commercial publishers negotiate and sign a great number of PSAs with societies every year (and indeed, in some cases, every month). Because of this, they have far more information at their disposal about journal valuation, market conditions, competitive dynamics, typical financial offers, and contract terms than a society that might have never issued a publishing services RFP before or only does so once every 5–10 years. It is therefore incumbent upon a society contemplating entering into negotiations with a commercial publisher to work to reduce this information asymmetry and understand the levers available for negotiating favourable terms.

Taken together, the programme assessment and the publishing services RFP help societies work through the strategic and operational questions, reduce information asymmetry, and evaluate whether or not a PSA is the right choice given the specific circumstances of the society and its journal portfolio.

CONCLUSION

The marketplace in which society journal programmes must compete has become more complex and more challenging for independent operators. Some of these challenges are structural as the market continues to be shaped by commercial forces, as well as governmental and funder policies, biased towards the largest publishing houses. And yet, remaining independent allows a society the flexibility to set its own policies, choose its own vendors, and plot its own course. In some cases, it is also financially more remunerative for societies to remain independent, and societies can better manage the long-term value of their assets. For other societies, working with a commercial publisher via a PSA provides revenue stability, risk reduction, and a method of outsourcing much of the complexity of journal publishing. There are trade-offs to either approach, and societies must carefully evaluate these trade-offs on a regular basis in response to substantive developments both in the market and within the society.

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